

Message Text

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46

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 OEP-01 INT-08 AID-20 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10

SS-14 STR-08 CEA-02 L-03 H-02 DODE-00 PA-03 USIA-12

PRS-01 T-03 RSR-01 /153 W
----- 051501

R 141305 Z MAR 73
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 9283
INFO AMEMBASSY BRASILIA
AMEMBASSY BOGOTA
AMEMBASSY BUENOS AIRES
AMEMBASSY CARACAS
AMEMBASSY LIMA
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

UNCLAS LA PAZ 1401

E. O. 11652: N/A
TAGS: EMIN, BL
SUB: UNION OIL CO. OF CALIFORNIA (UOCC) AND YPFB SIGN
OPERATION CONTRACT

REF: LA PAZ 7127 OF DEC 18, 1972

1. ON MARCH 12, REPRESENTATIVES OF UOCC THROUGH ITS
SUBSIDIARY UNION OIL CO OF BOLIVIA (UOCB), SIGNED OPERATION
CONTRACT WITH YPFB TO EXPLORE AND, IF SUCCESSFUL, SUBSE-
QUENTLY EXPLOIT HYDROCARBONS IN 1,000,000 HECTARES WITHIN
PROVINCE ITURRALDE, DEPARTMENT OF LA PAZ, AND PROVINCE OF
BALLIVIAN, BENI DEPARTMENT. PRESIDENT BANZER, MIN ENERGY,
CHIEF OF GOVERNMENT PARTIES MNR AND FSB, AND YPFB OFFICIALS
WERE PRESENT AT CEREMONY. FRED L. HARTLEY, RAY BURKE, HENRY
BRANDON, AND ERIC MACK RESPECTIVELY PRESIDENT, VICE- PRESIDENT.
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VICE- PRESIDENT, AND CHIEF EXPLORATION FOR LATIN AMERICA OF UOCC SIGNED CONTRACT WITH MIN ENERGY (ROBERTO CAPRILES), GENERAL MANAGER OF YPFB (ROLANDO PRADA), CONTROLLER GENERAL (COL POL PALACIO), AND ATTORNEY GENERAL JAMIE OSSIO. BANZER CONGRATULATED MIN ENERGY AND GENERAL MANAGER YPFB AND ALL THOSE WHO WORKED TO MAKE CONTRACT POSSIBLE AND WISHED UOCC EXECUTIVES LUCK IN THEIR OPERATIONS. ACCORDING TO PRESS REPORTS OF MARCH 13, MIN ENERGY AND HYDROCARBONS, ROBERTO CAPRILES, IN HIS SPEECH REFERRED TO PROMULGATION OF GENERAL LAW OF HYDROCARBONS ON MARCH 27, 1972, WHICH MADE THIS FIRST OPERATION CONTRACT POSSIBLE. AMONG OTHER THINGS, HE SAID, BOLIVIA CANNOT BE INDIFFERENT PRESENT ENERGY CRISIS AND MUST ENCOURAGE HYDROCARBON EXPLORATION. HE ADDED OPERATION TYPE CONTRACT PROVED TO BE MOST ADVANTAGEOUS IN OTHER COUNTRIES AND BEST ALTERNATIVE FOR BOLIVIA' S " NATIONALISTIC" GOVERNMENT.

2. OPERATION CONTRACT CONTAINS FOLLOWING MAIN PROVISIONS:
(A) ALLOWS UOCB 4 YEARS TO EXPLORE AND UOCB MAY ASK FOR ADDITIONAL 3 YEARS. INCLUDING EXPLORATION PERIOD, CONTRACT TO RUN FOR 30 YEARS AT WHICH TIME ALL INSTALLATIONS OF UOCB WILL BE YPFB' S PROPERTY. UOCB COMMITTED TO SPEND US\$ 4,000,000 TO US\$ 6,000,000 IN EXPLORATION BUT DOES NOT HAVE TO DRILL DURING FIRST FOUR YEARS. (B) TOTAL HYDROCARBONS PRODUCED WILL BE DISTRIBUTED 50 PER CENT TO UOCB, 20 PER CENT TO YPFB, 30 PER CENT TO CENTRAL AND DEPARTMENTAL GOVERNMENTS AS ROYALTIES. (C) UOCB MUST PAY ALL ITS COSTS OUT OF ITS 50 PER CENT SHARE OF HYDROCARBONS AND IS EXEMPTED FROM TAXES EXCEPT FOR INCOME TAXES. (D) ACCORDING TO GENERAL HYDROCARBON LAW, YPFB IS EXCLUSIVE OWNER AND OPERATOR OF ANY HYDROCARBON PIPELINE WHICH WOULD BE BUILT IN CASE EXPLORATION BY UOCB IS SUCCESSFUL.

3. PRESIDENT HARTLEY TOLD AMBASSADOR LAST NIGHT THAT UOCB WILL ESTABLISH OFFICES IN LA PAZ WITHIN TWO MONTHS AND THAT SEISMIC EXPLORATION WOULD COMMENCE SHORTLY THEREAFTER. AT LUNCH IN HONOR OF PRESIDENT HARTLEY TODAY BOLIVIAN OFFICIALS AND OTHER DISTINGUISHED CITIZENS SUCH AS VICTOR PAZ ESTENSSORO ALL EXPRESSED TO AMBASSADOR THEIR GREAT SATISFACTION WITH THE EVENT WHICH THEY VIEWED AS BEING AN IMPORTANT TURNING POINT AND MILESTONE IN THE MODERN DEVELOPMENT OF THIS COUNTRY.

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4. COMMENTS: IT IS TO BE NOTED THAT ONLY THREE YEARS AND

FIVE MONTHS AFTER NATIONALIZATION OF GULF OIL CO. SENT BOLIVIA
ON THE MISADVENTURE OF A VIOLENT SWERVE TO THE LEFT, AN
AMERICAN OIL COMPANY HAS SIGNED THE FIRST OPERATION CONTRACT
IN BOLIVIA FOR EXPLORATION AND EXPLOITATION OF HYDROCARBON
FIELDS. THIS ACTION BY A PRESTIGIOUS U. S. COMPANY CONSTITUTES A
VOTE OF CONFIDENCE IN BOLIVIA OF TODAY UNDER THE BANZER REGIME AND
IT IS NOW VIRTUALLY CERTAIN THAT
OTHER SIMILAR OPERATION CONTRACTS WILL BE SIGNED SOON BY
THE GOB WITH OCCIDENTAL PETROLEUM AND OTHER COMPANIES.
EMBASSY VIEWS YPFB- UOCB CONTRACT AS CONCRETE INDICATION
THAT PRESENT BOLIVIAN GOVERNMENT WANTS FOREIGN INVESTORS,
AND THAT THESE INVESTORS HAVE BEEN ASSURED BY NEW POLICY
DIRECTIONS OF BANZER' S GOVERNMENT. PRESS REPORTS AND EDI-
TORIALS AS WELL AS OPINIONS OF KNOWLEDGEABLE PUBLIC ARE
FAVORABLE TO THE SIGNING OF OPERATIONS CONTRACT.
SIRACUSA

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TAGS: EMIN, BL
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BRASILIA
BUENOS AIRES
CARACAS
EB
LIMA
QUITO

SANTIAGO
SECSTATE WASHDC

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